

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY,)	
INC. TO IMPLEMENT A PILOT NONRESIDENTIAL)	CASE NO.
SMART SAVER CUSTOM ENERGY EFFICIENCY)	2011-00471
PROGRAM)	

O R D E R

On December 1, 2011, Duke Energy Kentucky, Inc. ("Duke Kentucky") filed an application seeking approval to implement a pilot Smart Saver Custom Energy Efficiency Incentive Program for non-residential electric customers. The new pilot program is an expansion of the existing Smart Saver Customer Incentive Program that is currently only available for schools (grades K-12).

A procedural schedule was established allowing for two rounds of discovery. Discovery is now complete and the matter stands submitted to the Commission for a decision on the record.

DISCUSSION OF NEW PROPOSED PROGRAM

The proposed pilot program will operate in the same manner as the existing program with two notable exceptions: (1) the eligibility in the pilot program will be expanded to include non-residential customers; and (2) the pilot will not include the energy assessment opportunities offered to schools in the current program. The pilot program will include commercial and industrial customers served under Duke Kentucky's non-residential rates, specifically, rates DS, Service at Secondary Distribution Voltage; DP, Service at Primary Distribution Voltage; DT, Time-of-Day Rate

For Service at Distribution Voltage; EH, Optional Rate for Electric Space Heating; SP, Seasonal Sports Service; or GS-FL, General Service Rate for Small Fixed Loads. The pilot will be limited to a maximum of \$500,000 in incentives offered for the fiscal year.¹ Customers served under Rate TT will be excluded from the pilot because these customers do not participate in Duke Kentucky's Demand-Side Management ("DSM") rate Rider DSMR.

Duke Kentucky recognizes that the expanded pilot will make the Smart Saver Customer Incentive Program available to a broader cross-section of customers. Duke Kentucky does not foresee this expansion limiting the availability of the funding. Duke Kentucky notes that participation by schools in the current program has declined in recent years. In fact, there was no participation by schools in the Smart Saver Custom Incentive Program during the 2011 fiscal year. Expanding the program will facilitate the implementation of dollars dedicated toward opportunities for energy efficiency among non-residential customers. Duke Kentucky requests that the program begin upon Commission approval and extend through June 30, 2013, or until such time as a broader suite of energy efficiency programs is approved by the Commission.

To participate in the pilot program, a customer must first apply to Duke Kentucky by completing a customer incentive application and filling out a general worksheet to provide documentation supporting the energy efficiency of the installation. The application and worksheet are then reviewed by Duke Kentucky prior to the customer initiating any energy efficiency project. Each incentive will be calculated on an

¹ The fiscal year is July 1 to June 30, per Case No. 2011-00448, Application of Duke Energy Kentucky, Inc. for the Annual Cost Recovery Filing for Demand-Side Management (filed Nov. 15, 2011).

individual basis. Duke Kentucky will review the application and perform a technical evaluation as necessary to validate projected energy efficiency savings.

A program vendor will perform an administrative review to ensure customer eligibility and that all required information is provided. The program vendor will perform a technical review for the following purposes: (1) determine appropriate energy baseline; (2) verify savings (kW, kWh); (3) establish measure life; (4) verify incremental life; and (5) request additional technical information as needed to complete draft input data sheet for energy-economics modeling.

Following review by the program vendor, the measures submitted by the customer are then modeled in Duke Kentucky's DSMore modeling program to determine the overall cost-effectiveness of the measure. The incentive offered to the customer is intended to improve the customer's payback and encourage customers to invest in energy efficient measures.

Once the review is completed, the customer will receive a letter indicating either acceptance or denial of the energy efficiency measure proposal. If the proposal is accepted, the customer will receive confirmation of the incentive payment amount for which the customer is eligible. Once the project is completed, and after submission of all invoices and documentation, the customer will receive the incentive payment.

A desired result of this proposed program, assuming a successful pilot and eventual implementation of a permanent custom incentive program, is that Duke Kentucky will be able to evaluate future custom applications and determine if additional measures can be included in a prescriptive incentive program.

Duke Kentucky proposes to recover the costs of this pilot program through the existing DSM rate Rider DSMR. Duke Kentucky also proposes to provide an update and evaluation of the program participation as part of the next annual DSM filing to be made in November 2012.

The cost effectiveness projections of this new pilot program are:²

Utility Cost Test	Total Resource Cost	Ratepayer Implementation Test	Participant Cost Test
4.79	1.07	1.47	1.36

SAVINGS AND COSTS

Duke Kentucky is projecting an annual energy savings of 5,569,142 kWh resulting in projected Lost Revenues of \$151,730. The projected Shared Savings are \$2,496,795, of which Duke Kentucky's 10-percent³ share will be \$249,680. The annual projected program costs are the following:⁴

Description	Amount
Company Labor	
Program Administration	\$90,000
Contract labor	
Program Implementation	\$44,118
Direct Program Costs	\$24,681
Customer Incentives	\$500,000
Total	\$658,799

² Duke Energy's Response to Commission Staff's First Information Request, Item 1.

³ Page 37 of the Application received by the Commission on September 30, 2004 in Case No. 2004-00389 Annual Cost Recovery Filing for Demand-Side Management by the Union Light, Heat and Power Company (Ky. PSC Feb. 14, 2005).

⁴ Id. at Item 1.

CONCLUSIONS

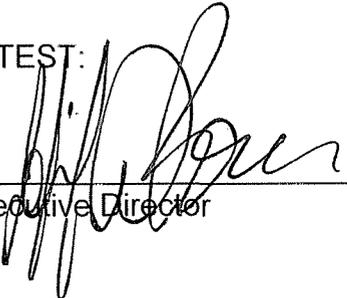
Having reviewed the record, the evaluation studies, and the cost-effectiveness test results provided by Duke Kentucky in support of its proposed DSM program, and being otherwise sufficiently advised, the Commission finds that Duke Kentucky's proposed pilot Smart Saver Custom Energy Efficiency Incentive Program for non-residential electric customers is cost effective and the projected program costs, projected lost revenues, and projected shared savings as provided in Duke Kentucky's application are reasonable and should be approved.

IT IS THEREFORE ORDERED that Duke Kentucky's request to implement a pilot Smart Saver Custom Energy Efficiency Incentive Program for non-residential electric customers is approved as filed as of the date of this Order.

By the Commission

ENTERED	PA
APR 12 2012	
KENTUCKY PUBLIC SERVICE COMMISSION	

ATTEST:



Executive Director

Kristen Cocanougher
Duke Energy Kentucky, Inc.
139 East 4th Street, R. 25 At II
P. O. Box 960
Cincinnati, OH 45201

Rocco O D'Ascenzo
Duke Energy Kentucky, Inc.
139 East 4th Street, R. 25 At II
P. O. Box 960
Cincinnati, OH 45201